

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter decreased 5 cents to \$1.1500; Grade A decreased 4 1/2 cents to \$1.0600; and Grade B decreased 4 cents to \$1.0500. Also at the CME, barrel cheese are unchanged at \$1.2700 and 40# blocks are unchanged at \$1.4350.

According to NASS, milk production in the 20 major states during November totaled 10.6 billion pounds, 1.3% above production in these same states in November 1996. October revised production, at 11.0 billion pounds was 1.4% above October 1996. Production per cow averaged 1,377 pounds for November, 27 pounds (2.0%) above November 1996. The number of cows on farms was 7.72 million head, down 51,000 head (0.7%) from November 1996 and down 7,000 from October 1997.

According to ERS, 1998 is expected to be remarkably similar to the year just ending. Milk production probably will struggle to post any gains in the face of unchanged milk prices and still-high prices for concentrate feeds and alfalfa hay. Through the flush season, the BFP for milk is expected to decline steadily from the late 1997 peak of about \$13 per cwt. The first-half average BFP is projected to be near a year earlier. Markets are expected to tighten significantly during the second half. The seasonal rise in the BFP is currently projected to be similar to 1997, but the potential for larger increases is clear. Farmers received an average of about \$14.35 per cwt of milk in 1997, down about \$1.50 from a year earlier but up about \$0.60 from the 1991-95 average.

During October, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.5% below the previous year and 0.4% below September 1997 on an adjusted daily average basis. Sales of whole milk items were 1.9% below the previous year; sales of lowfat and skim milk items were 0.4% above the previous year. For the first 10 months of 1997, total fluid sales are 0.1% below the same period in 1996.

During November, about 8.5 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have

been pooled under Federal milk orders were not pooled in November 1997, the following comparisons involving producer deliveries have been estimated.) For comparable markets, producer deliveries were about 1.2% less than November 1996, and about 0.3% more than October 1997 on a daily average basis. Milk utilized in Class I products in November was 0.8% less than last year on an adjusted basis. The average blend price was \$14.05, \$0.61 less than last year.

Milk production is increasing throughout the country. Unexpected snow in several Southeastern states did little to affect milk receipts though short term Class I demand improved. Class I and II milk demand across the country remained strong in order to fill holiday orders for items such as egg nog, sour cream and dips. As schools close for the year end holidays, Class I use is expected to decline and manufacturing schedules increase.

During the week of December 15 - 19, CCC purchased 497,137 pounds of Western NDM under the price support program.

NOTICE: Because of holiday scheduling, Dairy Market News, Report 52 will be mailed on Monday, December 29. The information will be available on the Internet, the recorded information system, and via fax polling at 3:00pm on December 24. See the back page of this report for access. We are sorry for any inconvenience this may cause.

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BUTTER MARKETSCHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE :	DECEMBER 16 :	DECEMBER 18 :	DECEMBER 19
AA :	\$1.1900 - 1.2000 :	\$1.1900 - 1.2000 :	\$1.1900 - 1.2000
	(-.3200) (-.3200):	:	:
A :	\$1.0950 - 1.1050 :	\$1.0950 - 1.1050 :	\$1.0950 - 1.1050
	(-.1450) (-.1450):	:	:

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, Grade AA butter decreased 5 cents to \$1.1500, Grade A decreased 4 1/2 cents to \$1.0600, and Grade B decreased 4 cents to \$1.0500. Butter markets remain unsettled. Buyers are cautious about placing orders due to the unsettledness of the market. Stocks remain in close balance to short of full needs. During the week, 144 MT (317,000 lbs) of bulk butter have been committed to export for January - February delivery. This is the first DEIP activity since late November.

CHICAGO MERCANTILE EXCHANGEBUTTER TRANSACTIONS ON FRIDAY, DECEMBER 19, 1997

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE :	PRICE CHANGE :	LAST SIGNIFICANT TRANSACTION - LST
AA :	-.0500 :	\$1.1500 : BID 12/19/97
A :	-.0450 :	\$1.0600 : BID 12/19/97
B :	-.0400 :	\$1.0500 : OFFER 12/19/97

SALES: 1 CAR GRADE AA @ \$1.1300
1 CAR GRADE A @ \$1.0500

BIDS UNFILLED: 13 CARS GRADE AA: 2 @ \$0.9050, 1 @ \$0.9400,
2 @ \$0.9600, 1 @ \$0.9900, 1 @ \$1.0000, 1 @ \$1.0100, 1 @ \$1.0200,
1 @ \$1.0300, 1 @ \$1.0400, 1 @ \$1.0500, 1 @ \$1.1500 (LST)

6 CARS GRADE A: 1 @ \$0.9000, 1 @ \$0.9300,
1 @ \$0.9500, 2 @ \$0.9600, 1 @ \$1.0600 (LST)

2 CARS GRADE B @ \$1.0000

OFFERS UNCOVERED: 1 CAR GRADE B @ \$1.0500 (LST)

CHEESE MARKETSWISCONSIN ASSEMBLY POINTS

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES :	DECEMBER 15 - 19, 1997
BARRELS* :	\$1.2700 - 1.2900 (NOMINAL)
	(-.0225) (-.0225)
40# BLOCKS :	\$1.4625 - 1.4700 (NOMINAL)
	(-.0025)

() Change from previous week. * If steel, barrel returned.

CHEESE HIGHLIGHTS: The cheese market is steady on blocks and barrels, though some traders anticipate future weakness. At the CME in light to moderate trading, 40# blocks were unchanged at \$1.4350 and barrels steady at \$1.2700. Bulk cheese movement was steady to slower as cutters and/or processors need less product when they are closed for an extra day or two per week during the holidays and for year end inventory considerations. Holiday orders have been filled except the usual last minute fill in type activity. Cheese production is steady to slightly heavier, reflecting milk receipts.

CHEESE TRANSACTIONS ON THURSDAY, DECEMBER 18, 1997

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES :	PRICE CHANGE :	LAST SIGNIFICANT TRANSACTION
BARRELS :	N.C. :	\$1.2700 : OFFER 12/18/97
40# BLOCKS :	N.C. :	\$1.4350 : SALE 12/18/97

SALES: 19 CARS 40# BLOCKS:
2 @ \$1.4325, 17 @ \$1.4350 (LST)

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2700 (LST)
2 CARS 40# BLOCKS @ \$1.4350

NOTICE: CME cash butter and cheese trading will start at 9:30AM and 12:15PM Central Time, respectively, on December 24 & 31.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Other Dairy Products		Meat, Poultry, Fish and Eggs	
	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>
SEPT 1997	157.9	2.1	143.5	-2.2	139.0	-3.3	147.3	-1.4	136.0	-5.2	149.1	1.3
OCT 1997	158.2	1.8	145.7	-2.4	143.7	-2.4	146.5	-2.7	139.7	-4.0	148.9	0.7
NOV 1997	158.5	1.7	147.0	-1.5	145.9	-2.1	147.3	-2.4	143.0	1.8	149.3	0.3
U.S. City Average Retail Prices												
Month	Whole Milk <u>4/</u>		Lowfat Milk <u>4/</u>		Butter <u>5/</u>		Process Cheese <u>6/</u>		Natural Cheese <u>7/</u>		Ice Cream <u>8/</u>	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	Dollars											
SEPT	2.533	2.666	2.307	2.474	2.144	2.482	3.359	3.511	NA	3.062	2.895	3.041
OCT	2.635	2.730	2.391	2.494	2.181	2.528	3.419	3.499	NA	3.068	2.925	3.077
NOV	2.678	2.746	2.427	2.494	2.360	2.354	3.497	3.651	3.392	3.584	2.928	2.978

* NA Not available. 1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon, prepackaged regular.

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Process cheese prices fell 2 1/4 cents with the natural varieties unchanged. The market tone is still unsettled. Contacts are concerned about the 16+ cent spread between blocks and barrels at the CME. Their concern is generally one of how, when, and if the spread will correct itself. Cheese production in the Northeast is steady, but most producers expect more milk to be available in the next two - three weeks. Demand for cheese is good at both retail and food service levels of the market.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4350-1.9175
Cheddar Single Daisies	:	1.4050-1.9225
Cheddar 40# Block	:	1.5725-1.7325
Process 5# Loaf	:	1.4800-1.6075
Process 5# Sliced	:	1.5000-1.6650
Muenster	:	1.6150-1.9925
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady on natural, unsettled to weak on barrels. At the Chicago Mercantile Exchange on December 11, the price of blocks was unchanged at \$1.4350, but barrels declined 2.25 cents to \$1.2700. The wide barrel/block spread (currently 16.5 cents) combined with year end fiscal/inventory considerations are unsettling some buyers. The holiday reduced schedules during the next two weeks will likely reduce the cheese volume packaged and shipped by cutters and/or processors. Buyers are waiting for holiday sale results before making commitments for early in 1998. Holiday gift packers have been having a good season with most of the product already shipped. Interest on natural cheese is irregularly steady to occasionally slower, depending on customer base. Bulk cheese demand is steady to often slower. Current natural inventories have declined in recent weeks and are likely to remain at low levels at least until the year end holidays, except perhaps at the production plant. Process interest remains mostly moderate at best. Mozzarella sales are generally good, but are very price competitive. Milk intakes are steady to slightly higher in the northern states in the region. Fat and protein tests may be at or have peaked for the year. Cheese yields are good. In southern states in the region, cheese production has increased as fluid exports to Southeastern bottlers have declined.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6400
Brick And/Or Muenster 5#	:	1.7100-1.8925
Cheddar 40# Block	:	1.6850-1.9150
Monterey Jack 10#	:	1.8850-1.9150
Blue 5#	:	2.0375-2.2500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.4850

WEST

Natural prices are generally steady while process prices declined. Sales activity is slower due to end of the year considerations plus the problems with transportation at the holiday season. Many buyers are saying that they are covered through the end of the year. Many contacts also believe that there is a fairly strong chance that prices for blocks may fall in the near future so that they are limiting purchases beyond current needs. Manufacturing plants plan to process more milk over the next two weeks because of the school holidays freeing up more milk. Stocks are becoming more available.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4600-1.7125
Cheddar 40# Block	:	1.6175-1.7300
Cheddar 10# Cuts	:	1.7500-1.9575
Monterey Jack 10#	:	1.7150-1.9200
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGNTYPE

Prices and the market tone are unchanged. Demand is seasonally good, but most holiday needs have been filled. Stocks of most cheeses are light to adequate. Reports indicate that cheese production in the EU-15 for the first seven months of 1997 is estimated at 3,456,100 MT, 0.2% above the same period in 1996. July's output, at 513,900 MT, is 1.4% more than July 1996.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7700-2.3800*
Gorgonzola	: 3.2400-5.9400	: 2.4350-2.4950*
Parmesan (Italy)	: TFEWR	: 3.1800-3.2175*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4425-1.9500*
Romano (Cows Milk)	: -0-	: 2.9675-3.2200*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Northeastern Milk Market Administrators announce November 1997 uniform (blend) prices: Federal Order (F.O.) 1 is \$14.10; F.O. 2, \$13.86; F.O. 4, \$14.62; F.O. 36, \$13.97; and Western NY Milk Market Area, \$13.91. During November, milk production in the 20 major states totaled 10.6 billion pounds, up 1.3% from last November. The following are the November-to-November changes for selected states: Texas and Kentucky -6.1%, Florida -1.6%, Vermont +1.0%, New York +2.2%, and Pennsylvania and Virginia +2.7%. This week, milk production continues to increase steadily in the South where mild temperatures are aiding output. The sudden snow storm in parts of Mississippi, Alabama, and other states did little to affect milk production and pick ups. Elsewhere, the milk flow is starting to come up. Demand for bottled milk is fairly good, but with some schools closing for vacation next week, school lunch bottlers are starting to slow down. Florida handlers imported 24 loads early this week and canceled all additional orders. They expect to be shipping surplus milk out of state in the very near future. Loads going into the Carolinas are also down from last week. Manufacturing plant operating schedules range from light to moderate. There seems to be sufficient capacity to handle the expected volumes during the holidays. Southeastern plants are still inactive, but some will be in operation by this weekend. The condensed skim market is steady. Demand is fair to good and prices are unchanged to slightly higher. The fluid cream market is mixed. Demand is irregular as some users cut purchases and others are still taking normal volumes. Prices are generally lower following the sharply lower butter prices. Ice cream production is slowing at more locations as many will be down for various periods of time during the next two weeks. Cream cheese, sour cream, bottled cream, and egg nog production are steady. Churning activity is moderate and more churns are actively looking for excess cream.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.4807 - 1.6023
Delivered Equivalent Atlanta	-	1.5028 - 1.6880
F.O.B. Producing Plants: Upper Midwest	-	1.4807 - 1.5581

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	1.0200 - 1.1300
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
DECEMBER 12 - 18, 1997	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1996	7

Class I and II milk demand is holding at very good levels as processors fill orders for holiday items such as egg nog, sour cream, and dips. Class I premiums were in the \$2.50 - 3.00 over class area plus hauling. There were no reported loads of Wisconsin milk "direct shipped" and pooled under a Southern Federal Order. There were 12 loads of Wisconsin milk shipped to Ohio and 20 loads sent to Michigan. Many handlers are trying to make plans and reserve some space at manufacturing plants to minimize the usual "low ball" prices paid for distressed milk during the holiday period. Current bookings are reportedly so many cents above or below class prices. Cream demand is spotty as some operations, mainly ice cream, go on vacation until the new year. The reduction in competition is helping cause some extra deals to be made. Cream prices are sharply lower, reflecting lower butter prices at the Chicago Mercantile Exchange, and lower multiples. Milk intakes are increasing in most north central states. Fat and protein tests have probably peaked for the year, as have manufactured product yields. In the middle tier of Midwestern states, milk intakes are also increasing with milk supplies about in balance with local needs. In Southern states in the region, milk receipts continue to climb with manufacturing schedules increasing as bottlers in the Southeast reduce volumes imported from the area. Unseasonably warm temperatures have blanketed the

northern tier of states, reducing or eliminating the snow left from recent storms. Efforts continue to finish the fall harvest season in some scattered locations though most farmers have finished for the year. Hay supplies remain tight in many areas and prices are generally higher. Tested hay sold at auctions during the week ending December 17 for good quality (RFV 125-151 relative feed value) sold for \$110.00 - 190.00 per ton and (RFV 103-124) went for \$70.00 - 165.00 per ton on a sample of 40 tons in each group. The November milk production in selected Midwestern states compared with 1996 is: Wisconsin 1.726 billion pounds, down 8 million pounds (0.5%); Minnesota 713 million pounds, down 31 million pounds (4.2%); Michigan 423 million pounds, off 7 million pounds (1.6%), and Iowa 327 million pounds, up 12 million pounds (3.8%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.50- 38.00	\$ 25.00- 33.00
REPLACEMENT HEIFER CALVES	\$105.00-150.00	\$110.00-160.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 31.00- 38.50	\$ 25.50- 34.00

W E S T

U.S. milk production in the 20 states surveyed totaled 10.6 billion pounds in November, 1.3% higher than November 1996. October 1997 production was revised lower to 1.4% above 1996 levels. Cow numbers in November were 7.724 million head, down 51,000 (-0.7%) from a year ago. Milk per cow was 2.0% higher. Output in the five Western states surveyed compared to 1996 is: Arizona, +0.5%; California, +5.9%; Idaho, +7.0%; New Mexico, +8.2%; and Washington, -3.1%. The five Western states are the tops in production per cow among the 20 surveyed states and milk cows increased 72,000 head from last November. Milk production is seasonally mixed throughout California. Weather conditions are impacting output in some areas, but recent rains have not been detrimental to any great degree. The availability of feed is ample for current needs with good quality alfalfa hay remaining expensive and in tight supply. Cooler temperatures in New Mexico are not affecting milk production to any noticeable extent. Grain prices and corn silage are at positive positions. Cooler nighttime conditions are occurring, but warmer daytime conditions are keeping cows comfortable. Producers remain concerned about current milk prices and profitability. Surplus milk supplies are yet limited, but expected to increase in the coming holiday shortened weeks. Extended school closures will provide steady volumes of surplus until the start of 1998. Cream orders are often more sporadic this week with ice cream orders unsettled. Cream multiples range from 126 to 140 times the Grade A butter market. Several buyers want the multiple off the upcoming butter price as they anticipate further declines. Heavy rains are common over much of the Pacific Northwest, but no one is complaining too much. The snow pack is very light for this late in the year and the water is needed for next year's irrigation water. Some herds had still been out on pasture and some green chopping had continued, but conditions are wet enough to bring a halt to most of these activities. Most contacts believe that milk output on most existing herds has bottomed out and is increasing seasonally. This, of course, does not take into account the herds that are moving to Idaho. Hay offerings picked up as sellers try to get a little more income into 1997 for tax reasons. Some of the hay is actually fairly good quality, but it is in odd lot sales categories. Slaughter cow prices increased a few dollars this week, but heifer sales are very slow and prices are depressed. Most operations are expecting additional milk supplies to be available for processing over the holiday periods ahead and plant capacity will not be a problem. Snow cover remains over most areas of the northern Mountain States region. Conditions are much warmer this week. A weather inversion last week caused valley floors to be much colder, damper, and fogier than areas at slightly higher elevations. The weather has not been bad enough to impact milk production all that much.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 12/18/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are higher at the top end of the range for high heat sales, mostly steady for all other sales. High heat supplies are often tighter because the holiday baking season is in full swing. Producers are offering lower prices on low heat production in attempts to clear out inventories. Manufacturers are beginning to plan holiday production schedules. Some producers prepare to run at full capacity over the next few weeks, while others will adjust drying times according to current stocks and demand patterns.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0400 - 1.1200 MOSTLY: 1.0450 - 1.0600

DRY BUTTERMILK - CENTRAL

Prices are unchanged and the market tone is steady. Buyers are looking to less expensive Western prices to meet their needs. Unconfirmed offerings below the price range have been reported as producers try to clear out inventories and compete with the Western market. Production levels are moderate. Stocks are adequate for needs.

BUTTERMILK: .9350 - .9825

DRY WHEY - CENTRAL

Prices are higher for both ranges. The market tone continues to show firmness. Buying interest remains good and offerings rapidly clear the market, even at high premiums. Buyers are seeing an increased number of offerings from plants, but not enough to adequately fill industry needs. Contacts report more availability in the West. Inventories are low, but producers anticipate more manufacturing milk and slower demand over the holidays will help them to replenish stocks. Production levels are steady to higher.

NONHYGROSCOPIC: .3250 - .3500 MOSTLY: .3300 - .3350

ANIMAL FEED WHEY - CENTRAL

Milk replacer and roller ground prices are lower on the bottom end of the range while standard and delactose prices are unchanged. All prices are nominal. Demand for offgrade whey is strong as winter nears and buyers need more feed on hand. More offerings have been reported. Sales are fairly active. The market tone for delactose is steady. Buying interest for roller ground and standard is limited. Sales are mainly for contracted accounts.

MILK REPLACER: .2800 - .3225
STANDARD: .2775 - .3100
ROLLER GROUND: .3000 - .3400
DELACTOSE (Min. 20% protein): .3400 - .3650

LACTOSE - CENTRAL AND WEST

Prices are higher on the mostly range. The market tone is relatively strong. Demand is good and sales activity has increased. Inventories are low with some producers short of needs. Production levels are lower than desired. Many contacts have secured contract agreements for next year and the first quarter. Contract prices range from steady to higher than current averages.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2600 MOSTLY: .2100 - .2200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The price range is higher, but the mostly is steady. The market tone continues to show strength. Demand is aggressive. Contacts report an increased number of calls looking for available spot loads. Producers are trying to keep inventories in balance, but some are finding themselves short. Buying interest has improved because WPC offers a more attractive price per unit of protein than edible whey. Production levels range from moderate to fairly active. Many producers have secured contracts for next year.

EXTRA GRADE 34% PROTEIN: .5775 - .6275 MOSTLY: .6050 - .6100

NONFAT DRY MILK - WEST

Nonfat dry milk prices continue to weaken due to current supply/demand factors and partly because of the upcoming change in the milk support price. Supplies are available from most producers in the region. Demand is mainly limited to contracted amounts only. More production is being bagged and graded for anticipated offering to the government under the price support program. Last week, 515,876 pounds of NDM were offered by Western producers. More offerings continued this week. Buyers are only buying for current needs. They are waiting to see how much NDM prices will change following the price support change on January 1. Contacts say it makes little sense for them to procure January needs when prices are expected to be lower. Stocks vary, but continue to be excessive of industry needs.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0200 - 1.0650 MOSTLY: 1.0300 - 1.0400

HIGH HEAT: 1.0500 - 1.0875

DRY BUTTERMILK - WEST

Prices continue to decline and the market tone remains weak. Offering prices are being lowered in attempts to stimulate interest. However, demand is often limited due to lack of need and year end inventory considerations. Churning is beginning to increase at more butter facilities and condensed buttermilk orders are not adequate to preclude drying. Stocks remain in excess of current needs.

BUTTERMILK: .8400 - .9500 MOSTLY: .8900 - .9200

DRY WHEY - WEST

The Western mostly whey price has held steady for three weeks now. The range has moved up and down and is back up again this week. The market remains closely balanced. Offerings are more available than a few weeks ago, but they are still clearing very easily. Resale powder also continues to move well. Stocks are not building at the producer or reseller levels. Manufacturers are pleasantly surprised that prices have held up this high this long. Contacts are wondering if the surging European whey prices will help to hold U.S. prices strong into the new year. Production is expected to increase for the next few weeks due to additional holiday surplus milk. Demand is normally slower at this season of the year.

NONHYGROSCOPIC: .2650 - .3100 MOSTLY: .2850 - .2950

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended December 12, on powder sales of 10,536,486 pounds f.o.b. California manufacturing plants was \$1.0444 per pound. This compares to 10,686,913 pounds at \$1.0438 for the previous week ending December 05, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST and SOUTHEAST

Prices are mostly steady and the market tone remains weak. Trading activity was somewhat limited this week. Buyers/users often limit spot purchases at this time of year to enable them to work down existing inventories before the end of the year. However, because of the abundant supply of powder, many users do not have too much of an inventory to work down. Orders for delivery just after January 1 are being noted. Many buyers and/or traders are contracting for next year's needs. Some DEIP orders are being made by Eastern producers. Production levels are increasing as more milk is available to butter/powder plants. Producers' stocks are fairly well balanced, but others do have powder to move. High heat powder is in the tightest position, but year end demand is a bit slower.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST: 1.0300 - 1.1400 MOSTLY: 1.0500 - 1.0700
DELVD SOUTHEAST: 1.0600 - 1.0850

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower and the market tone is weak. Eastern producers' stocks are in relatively good balance, but dry buttermilk is readily available from Western producers at very attractive prices. Demand is slow to fair as users work down any inventories they may have before the end of the year. Production levels are steady, but expected to increase over the holidays when more milk and cream are available.

F.O.B. NORTHEAST: .9600 - 1.0000
DELVD SOUTHEAST: .9200 - 1.0175

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower. Export sales are occurring at lower prices. This week, several new DEIP bids for dry whole milk were accepted. Domestic demand is mostly to regular accounts. Production is about steady, depending on volumes of milk available. Producers' stocks are closely balanced.

F.O.B. PRODUCING PLANT: 1.2500 - 1.5000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH DECEMBER 12, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	78,626	MT (173,338,878 LBS)
CHANGE	--	183	MT (403,442 LBS)
WHOLE MILK POWDER	--	4,709	MT (10,381,461 LBS)
CHANGE	--	580	MT (1,278,668 LBS)
CHEESE	--	1,756	MT (3,871,278 LBS)
CHANGE	--	39	MT (85,979 LBS)
BUTTERFAT	--	14,339	MT (31,611,759 LBS)

Allocations for the DEIP year beginning July 1, 1997 are:
Nonfat dry milk - 92,217 MT; Whole Milk Powder - 7,487 MT;
Cheese - 3,510 MT; Butterfat - 34,232 MT

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher and the market tone remains firm. Trading activity was light this week as most holiday spot needs have been filled. More buyers and suppliers were making/finalizing contracts for 1998. Some producers, caught short this fall, are contracting a smaller portion of anticipated 1998 output. This is cause for concern by some traders and users. Current spot interest is slow. Some additional offerings from resellers are being reported, but prices are holding. Locally, dry whey production is starting to increase. Producers' stocks are very light and most are trying to get caught up with orders.

F.O.B. NORTHEAST: EXTRA GRADE .3175 - .3400
USPH GRADE A .3475 - .3625
DELVD SOUTHEAST: .3350 - .3675

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. The market tone is quite firm, but there is some resistance to the high prices for whey. Offerings are limited and few spot sales have been noted.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Retail demand is at or near its seasonal peak and most suppliers/producers have already made deliveries. Some last minute orders are being filled. Production levels are moderate to heavy depending on milk supply. Most producers are counting on additional milk being available over the holiday period. Plant stocks are light as most inventories have been depleted by the seasonal demand.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED TO MAJOR U.S. CITIES \$22.50 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets are generally steady at unchanged prices. Trading activity is slow as buyers have sufficient stocks to finish the current year. Spot interest is quiet. First quarter stocks have been contracted and prices are basically steady to slightly lower.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1700 - 2.2500
ACID: 2.0000 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	12/04	12/05	12/08	12/09	12/10	12/11	12/12	12/15	12/16	12/17
CSCE CHEDDAR CHEESE -- Cents per pound										
DEC 97	130.50 (10) 0	132.00 (10) 0	132.00 (8) 2	132.00 (8) 0	132.00 (8) 0	132.00 (8) 0	135.00 (8) 0	135.50 (8) 0	135.50 (8) 0	136.00 (8) 0
FEB 98	127.80 (0) 0	129.30 (0) 0	129.30 (0) 0	129.30 (0) 0	129.30 (0) 0	129.30 (0) 0	132.30 (0) 0	132.80 (0) 0	132.80 (0) 0	133.30 (0) 0
CSCE - NONFAT DRY MILK -- Cents per pound										
DEC 97	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0	106.00 (0) 0
FEB 98	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0	102.20 (0) 0
CSCE - BUTTER -- Cents per lb.										
DEC 97	94.50 (66) 0	94.50 (66) 0	99.00 (66) 12	100.00 (66) 0	100.00 (66) 0	100.00 (66) 0	96.00 (66) 0	97.80 (58) 8	101.00 (58) 0	102.20 (42) 46
FEB 98	79.50 (0) 0	79.50 (0) 0	84.00 (0) 0	100.00 (0) 0	100.00 (0) 0	100.00 (0) 0	100.00 (0) 0	101.80 (0) 0	105.00 (0) 0	106.20 (0) 0
CSCE - BFP -- Dollars per cwt.										
NOV 97	12.84 (203) 10									
DEC 97	12.60 (195) 0	12.67 (196) 8	12.75 (197) 2	12.78 (198) 2	12.75 (197) 1	12.78 (197) 5	12.96 (199) 8	13.01 (195) 13	13.00 (199) 8	13.01 (184) 24
JAN 98	12.14 (128) 7	12.25 (135) 16	12.30 (137) 2	12.45 (137) 1	12.50 (135) 1	12.44 (138) 7	12.65 (145) 17	12.63 (119) 36	12.63 (122) 5	12.65 (122) 0
FEB 98	12.08 (108) 20	12.23 (109) 5	12.30 (115) 8	12.26 (117) 3	12.38 (117) 0	12.32 (125) 12	12.34 (149) 31	12.34 (149) 4	12.23 (153) 7	12.18 (153) 1
MAR 98	12.13 (81) 9	12.23 (81) 4	12.23 (83) 2	12.22 (85) 5	12.30 (85) 0	12.30 (87) 4	12.28 (88) 1	12.20 (86) 0	12.05 (85) 5	12.07 (86) 2
CSCE - FLUID MILK -- Dollars per cwt.										
DEC 97	12.20 (3) 0	12.20 (3) 0	12.20 (2) 0	12.20 (2) 0	12.20 (2) 0	12.20 (2) 0	12.20 (2) 0	12.20 (2) 0	12.20 (2) 0	12.50 (2) 0
FEB 98	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.65 (0) 0	12.95 (0) 0
CME - BUTTER -- Cents per pound										
FEB 98	106.80 (35) 0	106.80 (37) 2	106.80 (37) 0	109.30 (37) 0	109.30 (38) 1	109.00 (38) 0	108.50 (36) 6	108.00 (36) 0	107.25 (37) 1	109.00 (39) 2
MAR 98	108.00 (21) 0	108.00 (22) 1	108.00 (22) 0	110.50 (22) 0	110.50 (21) 2	110.50 (21) 0	109.50 (23) 3	109.00 (23) 0	108.75 (24) 3	109.10 (26) 3
CME - BFP -- Dollars per cwt.										
NOV 97	12.85 (218) 0									
DEC 97	12.61 (144) 23	12.75 (152) 7	12.75 (150) 33	12.78 (174) 7	12.78 (175) 10	12.80 (172) 7	13.00 (177) 24	13.00 (178) 18	12.99 (181) 3	13.03 (182) 17
JAN 98	12.11 (159) 7	12.19 (159) 5	12.26 (162) 14	12.45 (167) 7	12.44 (174) 15	12.45 (181) 20	12.63 (181) 3	12.66 (176) 21	12.62 (173) 6	12.65 (174) 17
FEB 98	12.12 (59) 3	12.17 (72) 20	12.24 (70) 17	12.35 (72) 5	12.35 (81) 18	12.30 (89) 15	12.39 (89) 0	12.30 (99) 24	12.22 (104) 13	12.20 (106) 4
MAR 98	12.15 (48) 2	12.19 (50) 4	12.25 (52) 3	12.34 (49) 12	12.34 (51) 10	12.30 (50) 9	12.32 (51) 1	12.24 (53) 15	12.12 (55) 7	12.10 (60) 7
CME - CHEDDAR CHEESE -- Cents per pound										
JAN 98	130.25 (176) 19	130.50 (176) 0	131.50 (176) 0	132.90 (177) 1	132.90 (181) 9	132.60 (181) 0	133.25 (180) 2	133.50 (179) 3	133.50 (179) 2	132.00 (179) 1
MAR 98	131.30 (20) 6	131.50 (20) 1	132.50 (20) 0	134.00 (20) 0	134.00 (20) 5	133.60 (20) 0	133.00 (20) 0	133.00 (40) 26	132.50 (40) 0	132.50 (40) 0

1/ Open interest for NDM and cheddar -- 4 contracts equal 40,000 pounds. Open interest for fluid milk (at both exchanges) -- 1 contract equals 50,000 pounds. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 8 - 19, 1997

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Weather conditions throughout most areas of Europe are now becoming winter like. A very recent cold nap is lowering temperatures quite rapidly. Contacts feel that the colder temperatures will have minimal impact on overall milk production. In most areas, milk output is at seasonally low levels, with some regions indicating slight increases. As milk production recovers, producers are closely monitoring the volumes, especially producers that might exceed quota levels by the end of March. Overall trading activity is quiet throughout the international market. Trading activity that is occurring is generally centered around previously made contracts. Also limiting trading at this time are the conclusion of the calendar year and year-end holidays. Most traders and product handlers anticipate trading to resume after the first of the year.

BUTTER/BUTTEROIL: Butter and butteroil markets are steady to slightly weaker. Prices are steady to lower. Overall buying interest has slowed, although Russia continues to secure minimal volumes. Much of the Russian buying interest has slowed and shipments of previously made contracts continue. Stocks of butter are mixed, ranging from slightly more available to fully committed. Traders feel that during the upcoming year end holiday period, butter production will be heavier as milk is diverted away from cheese.

82% BUTTERFAT:	2,080 - 2,300
99% BUTTERFAT:	2,600 - 2,715

SKIM MILK POWDER (SMP): Skim powder markets are unsettled. Prices are unchanged to lower. Powder stocks are limited. In general, production is keeping pace with demand, although in instances, stocks from interventions are being secured. Demand is slow at this time. Most traders are attributing the slow down in demand to the time of the year as many buyers hold off placing orders until the first of the new year.

1.25% BUTTERFAT:	1,600 - 1,700
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WHOLE MILK POWDER (WMP): Whole milk powder markets are mixed, although the overall tone is steady to firm. Prices are generally steady, but some prices have declined very slightly. Whole milk powder buying interest is slow. Stocks are limited. In most instances, whole milk powder is produced for specific orders, thus minimal amounts are available for spot buyer interest.

26% BUTTERFAT:	1,840 - 2,040
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SWEET WHEY POWDER: Whey markets are firm both domestically and internationally. Prices are sharply higher than past weeks. European FOB prices are now paralleling U.S. prices. Stocks of powder are limited with some January delivery inquiries going unfilled.

NONHYGROSCOPIC:	700 - 735
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EASTERNEUROPE: Market conditions in Eastern Europe are much the same as Western Europe. Trading activity has slowed as the year end nears. Temperatures have also dropped quite sharply, thus milk production is expected to not recover as quickly as if temperatures were warmer. Regions of Eastern Europe that have been pasturing their cattle have now had to start supplemental feeding now that pastures have ceased seasonal growth.

OCEANIA

OVERVIEW: A strong early spring surge in milk production is now starting to ease in the Oceania region. Although output is ahead of last year at this time, milk handlers are very concerned about how the end of the production season will fare. Weather conditions in New Zealand are becoming dry and winds are increasing. Pasture growth is being hindered and in many areas are reported in poor condition. In Australia, conditions remain dry, although rainfall seems to arrive when most needed. Stocks of manufactured dairy products are in close balance to short of desired levels. Oceania traders continue to closely monitor Southeast Asia as this region deals with currency and financial uncertainty. Traders do not look for much sales growth within this region for the coming year.

BUTTER: Butter markets are generally steady at unchanged prices. Stocks of butter are reported to be in close balance. Much of current production has been committed and minimal stocks are available for spot buyer interest. Buying interest remains quite good for limited surplus stocks. Russian buyers continue to buy, although this buyer activity has slowed.

82% BUTTERFAT:	1,800 - 1,900
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CHEDDAR CHEESE: Cheese markets are generally steady, although prices are unchanged to lower. In most instances, cheese stocks are in balance for current needs. Most cheese sales activity is centered around previously contracted sales.

39% MAXIMUM MOISTURE:	2,000 - 2,200
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SKIM MILK POWDER (SMP): Skim powder markets are steady to slightly weaker. Prices are unchanged to lower. Stocks of powder are reported to be in good to ample supply. Buying interest, especially in Southeast Asia, is unsettled as this region of the world continues to adjust to unsettled currency and financial conditions.

1.25% BUTTERFAT:	1,600 - 1,700
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady, although prices are unchanged to slightly lower. Stocks of full cream powder are fully sufficient for current needs. Much of current sales activity is centering around previously made contracts with minimal new buyer interest occurring. With the current yearend nearing, traders feel that buyers are holding off placing orders until the start of the new year.

26% BUTTERFAT:	1,700 - 1,850
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Exchange rates for selected foreign currencies: December 15, 1997

.4996 Dutch Guilder	.5631 German Mark
.1681 French Franc	.5843 New Zealand Dollar
.1232 Mexican Peso	.6537 Australian Dollar
1.6335 British Pound	.0076 Japanese Yen
.2817 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1232) = 8.1168$. That is 1 US Dollar equals 8.1168 Mexican Pesos.

Source: "Wall Street Journal"

There will not be an international report issued in report #53, December 29 - January 2. The next international report will be in report #1 covering the 3 week period of December 22 - January 9.

NOVEMBER MILK PRODUCTION

Milk production in the 20 major states during November totaled 10.6 billion pounds, 1.3 percent above production in these same states in November 1996. October revised production, at 11.0 billion pounds was 1.4 percent above October 1996.

Production per cow in the 20 major states averaged 1,377 pounds for November, 27 pounds above November 1996.

The number of cows on farms in the 20 major states was 7.72 million head, down 51,000 head from November 1996 and down 7,000 from October 1997.

NOVEMBER 1997 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	1996	1997	1996	1997	1996	1997	% CHANGE FROM 1996
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	122	126	1,690	1,645	206	207	0.5
CA	1,269	1,320	1,700	1,730	2,157	2,284	5.9
FL	157	159	1,230	1,195	193	190	-1.6
ID	266	279	1,510	1,540	402	430	7.0
IL	151	145	1,220	1,250	184	181	-1.6
IN	140	140	1,240	1,250	174	175	0.6
IA	250	244	1,260	1,340	315	327	3.8
KY	151	142	980	980	148	139	-6.1
MI	314	300	1,370	1,410	430	423	-1.6
MN	595	575	1,250	1,240	744	713	-4.2
MO	175	167	1,045	1,070	183	179	-2.2
NM	195	205	1,565	1,610	305	330	8.2
NY	700	699	1,270	1,300	889	909	2.2
OH	285	274	1,200	1,260	342	345	0.9
PA	642	640	1,310	1,350	841	864	2.7
TX	395	387	1,205	1,155	476	447	-6.1
VT	155	156	1,310	1,315	203	205	1.0
VA	126	120	1,170	1,260	147	151	2.7
WA	266	260	1,600	1,590	426	413	-3.1
WI	1,421	1,386	1,220	1,245	1,734	1,726	-0.5
20 STATE TOTAL	7,775	7,724	1,350	1,377	10,499	10,638	1.3

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (12-97), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK*

Revisions to the milk outlook this month largely center around a revision to ending 1996/97 stocks. The ending stock estimate for butter was revised upward, resulting in an increase in milk-equivalent (fat basis) stocks. Also, imports for 1996/97 were lower than forecast. With the upward revision in ending stocks and lower imports, the commercial use estimate for 1996/97 is lowered. With larger beginning stocks, the commercial use estimate for 1997/98 is increased slightly as is the net removal estimate.

U.S. MILK SUPPLY AND USE

Item	1995/96 1/	1996/97 Estimate 1/		1997/98 Projection 1/	
		November	December	November	December
SUPPLY	BILLION POUNDS				
BEGINNING COMMERCIAL STOCKS 2/ 23/	4.6	4.9	4.9	5.5	5.8
PRODUCTION	154.1	156.5	156.5	157.0	157.1
FARM USE	1.5	1.4	1.4	1.3	1.3
MARKETINGS	152.6	155.1	155.1	155.7	155.8
IMPORTS 2/	2.8	3.0	2.8	3.3	3.3
TOTAL COMMERCIAL SUPPLY 2/	160.0	163.1	162.8	164.5	164.8
USE					
COMMERCIAL USE 2/	154.9	156.7	156.2	158.0	158.2
ENDING COMMERCIAL STOCKS 2/	4.9	5.5	5.8	5.5	5.5
CCC NET REMOVALS:					
MILKFAT BASIS 3/	0.1	0.8	0.8	1.0	1.1
SKIM SOLIDS BASIS 3/	1.1	2.7	2.7	3.2	3.2
DOLLARS PER CWT.					
PRICES RECEIVED BY FARMERS 4/					
BASIC FORMULA (BFP)	13.50	11.88	11.88	11.55-12.25	11.60-12.20
ALL MILK 5/	14.49	13.60	13.60	12.80-13.50	12.85-13.45
MILLION POUNDS					
CCC PRODUCT NET REMOVALS 3/					
BUTTER	1	27	28	35	40
CHEESE	5	10	10	7	7
NONFAT DRY MILK	84	220	222	260	260
	QUARTERLY 6/			ANNUAL 6/	
	1997 IV	1998 I	1998 II	1997	1998
	BILLION POUNDS				
MILK PRODUCTION	38.4	39.2	40.8	156.9	157.1
DOLLARS PER CWT.					
ALL MILK PRICE 4/ 5/	14.15-14.35	13.15-13.65	11.90-12.70	13.30-13.40	12.70-13.50
BASIC FORMULA PRICE 4/	12.80-13.00	11.55-12.05	10.70-11.50	11.95-12.05	11.60-12.40

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes products exported under Dairy Export Incentive Program. 4/ Projections indicate a range of the average for the quarter or year. 5/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 6/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-333, World Agricultural Outlook Board, USDA, December 11, 1997.

THE DAIRY SITUATION AND OUTLOOK*

For the dairy industry, 1998 is expected to be remarkably similar to the year just ending. Milk production probably will struggle to post any gains in the face of unchanged milk prices and still-high prices for concentrate feeds and alfalfa hay. Expected economic growth and retail dairy prices should favor growth in commercial use of dairy products, but demand pressures on prices may be mostly offset by the likely large stocks of skim solids at the start of the year.

In 1997, milk production recovered from its 1996 forage-induced drop but managed only a tiny increase from 1995. Returns were insufficient to spur much expansion in the face of high feed costs and very tight supplies of acceptable forage. Returns to dairying in 1997 were moderate overall but conditions varied greatly among farms. Returns over concentrate costs fell 11 to 12 percent from the relatively high 1996 level but stayed about 4 percent above the 1991-95 average. Returns in 1997 were not enough to significantly alter the position of those producers under longrun income stress, even after the strong 1996 returns. These operations continued to exit from dairying at a fairly steady clip. On the other hand, the 1997 returns probably provided modest incentive for some farms to continue growing. This situation kept milk cow declines close to 1 percent. The milk-feed price ratio will average about 1.55 in 1997, down slightly from 1996's 1.6. The 1997 ratio would normally be associated with below-trend growth in milk per cow as producers restrain increases in concentrate feeding. In line with such a ratio, milk per cow in 1997 will increase at an annual rate of 1.6 percent from 1995, even though it will be up 3 percent from the weak 1996 showing. In 1998, moderate milk prices, continued high concentrate feed prices, and tight supplies and high prices for dairy-quality hay are expected to curb expansion pressures. Milk production is projected to be just barely larger than in 1997 and might slip below a year earlier during parts of the year. Milk-feed price relationships will stay lackluster as declines in concentrate feed and hay prices are projected to be small, even with normal 1998 crops.

Through the flush season, the Basic Formula Price (BFP) for milk is expected to decline steadily from the late 1997 peak of about \$13 per cwt. Large stocks of skim solids should enable the small expansion in milk output to meet the expected growth in commercial use, particularly since the impact of DEIP will be temporarily abated. The first-half average BFP is projected to be near a year earlier. Markets are expected to tighten significantly during the second half. With stocks reduced and the DEIP back in business, strength in demand is projected to raise milk prices. The seasonal rise in the BFP is currently projected to be similar to 1997, but the potential for larger increases is clear. Farmers received an average of about \$14.35 per cwt of milk in 1997, down about \$1.50 from a year earlier but up about \$0.60 from the 1991-95 average. Growth in commercial use was trimmed by the high prices of much of 1996 and early 1997 (at retail) and could not absorb the recovery in milk production. Even so, 1997 provided evidence that long-run prices may now be trending slightly upward (at least in nominal terms), as supply shifts have apparently slowed and steady demand growth continues. Farm milk prices are projected to be about unchanged to slightly lower in 1998, assuming that the structure of Class I prices remains in place. Were it not for the large beginning stocks of skim solids, 1998 markets would be generally tight. Retail dairy prices in 1998 are projected to be about the same as in 1997. Neither the farm price nor the farm-to-retail spread is expected to change much. However, the spread probably would be eroding faster if the price volatility of recent years had not made merchandisers reluctant to allow the spread to shrink.

Commercial use in 1998 is expected to grow 1 to 2 percent on a skim solids basis. Retail prices should be favorable and economic growth is expected to continue. Expansion in milkfat sales probably will be less than 1 percent, even though milkfat demand is expected to be fairly strong. Flat milk output will limit the amount of milkfat available and higher cream prices no longer provide much stimulus for expanded milk production.

Exports under DEIP in 1997 are expected to total more than 3 billion pounds, milk equivalent, on a skim solids basis and more than 1 billion pounds on a milkfat basis. The sharp jump from 1996 resulted mostly from greater availability of domestic supplies, although a more active international market contributed. In 1998, DEIP shipments probably will be somewhat smaller because of the WTO limits. Imports in 1997 have run below a year earlier because of smaller cheese imports. The European Union (EU) reduced or eliminated export subsidies on a number of cheeses shipped to the United States. In addition, lower U. S. cheese prices reduced the incentive to import. Imports in 1998 are expected to remain moderate because of relatively stable conditions in international and EU domestic markets.

Source: "Livestock, Dairy, and Poultry Monthly", LDP-M-48, December 17, 1997, Economic Research Service, USDA. For more information, contact James J. Miller, or Laverne T. Williams, (202) 694-5184.

OCTOBER MILK SALES HIGHLIGHTS

During October, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.5 percent below the previous year and 0.4 percent below September 1997 on an adjusted daily average basis. Sales of whole milk items were 1.9 percent below the previous year; sales of lowfat and skim milk items were 0.4 percent above the previous year. Total fluid milk sales were higher in the Southeastern and Southwest regions, and lower in all other regions.

**SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, LOWFAT AND SKIM MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER
MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, OCTOBER 1997, WITH COMPARISONS 1/**

Region 4/	Whole Milk Items 2/				Lowfat and Skim Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Oct	Year to date	Prev. year 5/	Year to date 5/	Oct	Year to date	Prev. year 5/	Year to date 5/	Oct	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	361	3,482	-2.9	-2.3	473	4,484	0.2	-0.1	835	7,966	-1.2	-1.1
Southeastern	347	3,366	-0.1	0.8	465	4,372	1.6	0.9	812	7,739	0.8	0.8
Midwest	272	2,584	-0.4	-0.9	993	9,316	0.2	0	1,265	11,900	-0.1	-0.2
Southwest	174	1,677	-0.8	-1.8	222	2,044	1.9	0.3	396	3,721	0.7	-0.7
Far West	340	3,343	-4.1	-1.6	717	6,799	-0.3	1.4	1,057	10,142	-1.7	0.4
All Areas Combined	1,494	14,452	-1.9	-1.1	2,869	27,016	0.4	0.5	4,364	41,468	-0.5	-0.1

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 90 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Lowfat and skim milk items include plain, solids added, flavored, and miscellaneous lowfat and skim milk products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 64, report #13. Southeastern excludes Tennessee Valley. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13.

**PACKAGED SALES OF FLUID MILK PRODUCTS IN ALL MARKETING AREAS DEFINED BY FEDERAL MILK
ORDERS AND CALIFORNIA, SEPTEMBER 1997, WITH COMPARISONS 1/**

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole milk 2/	1,474	-1.5	-1.1
2% Lowfat Milk	1,372	-1.1	-2.2
1% Lowfat Milk 3/	678	4.8	4.2
Skim Milk	724	5.0	3.7
Buttermilk	52	1.5	-2.7
Total Fluid Milk Products 4/	4,314	0.4	-0.1

1/ These sales volumes and percent changes include preliminary data for the New York-New Jersey milk order marketing area and the California State milk order. However, data for the Black Hills market, which was terminated October 1, 1996, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition.

2/ Includes flavored whole milk. 3/ Includes flavored lowfat and skim milk. 4/ Includes miscellaneous products.

SOURCE: Monthly summaries of *Federal Milk Order Market Statistics*, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

FEDERAL MILK ORDER PRICE AND POOL HIGHLIGHTS

FEDERAL MILK ORDER MARKET SUMMARY FOR NOVEMBER 1997. During November, about 8.5 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have been pooled under Federal milk orders were not pooled in November 1997, the following comparisons involving producer deliveries have been estimated.) For comparable markets, producer deliveries were about 1.2 percent less than November 1996, and about 0.3 percent more than October 1997 on a daily average basis. Milk utilized in Class I products in November was 0.8 percent less than last year on an adjusted basis. Class I use this year represented 40 percent of producer milk deliveries compared to 40 percent in November 1996. The average blend price was \$14.05 per cwt., \$0.61 less than last year. Changes in class prices from year-earlier levels were as follows: Class I, down \$2.58; Class II, down \$2.58; Class III, up \$1.35; and Class III-A, up \$1.90.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 1997										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1997 TOTAL	CHANGE FROM 1996	1997 TOTAL	CHANGE FROM 1996	1997	1996	1997	1996	1997
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
New England (Boston)	1	450.8	9.6	222.7	-0.3	49	54	14.82	16.37	16.7
New York/New Jersey (NY City)	2	935.1	6.1	404.1	4.0	43	44	14.58	15.59	16.7
Middle Atlantic (Philadelphia-Baltimore/Washington, D.C.)	4	467.7	-8.5	229.5	-11.4	49	51	14.62	16.06	---
NORTHEAST REGION		1,853.6	2.8	856.3	-1.7	46	48	14.65	15.90	16.7
Carolina (Charlotte)	5	229.3	4.7	181.5	0.2	79	83	15.29	17.74	16.7
Southeast (Atlanta/Birmingham)	7	493.7	15.4	391.8	11.2	79	82	15.33	17.48	16.7
Florida Markets (Tampa /Jacksonville/ Tallahassee/Miami)	12 <u>4/</u>	228.7	1.6	197.3	-4.5	86	92	16.05	18.80	16.7
SOUTHEASTERN REGION	<u>5/</u>	228.7	1.6	197.3	-4.5	86	92	16.05	18.80	16.7
Michigan Upper Peninsula (Marquette)	44	5.6	3.2	4.1	-6.9	73	81	13.81	15.92	16.7
Southern Michigan (Detroit)	40	333.7	-3.9	169.9	-2.0	51	50	13.78	15.16	---
E. Ohio/W. PA (Cleveland/Pittsburgh)	36	263.4	4.1	142.1	-6.4	54	60	13.97	15.41	---
Ohio Valley (Columbus)	33	241.7	-0.2	130.8	-8.9	54	59	14.05	15.97	---
Indiana (Indianapolis)	49	155.2	-4.1	94.8	-10.1	61	65	14.13	16.16	---
Chicago Regional	30*	1,164.5	-8.8	214.1	-3.4	18	17	13.34	12.88	---
Central Illinois (Peoria)	50	14.7	4.4	12.0	-2.1	82	88	14.16	16.33	16.7
S. Illinois-E. Missouri (Alton)	32	139.0	-0.4	82.1	-8.4	59	64	14.13	15.80	16.7
Louisville-Lexington-Evansville	46	112.6	40.8	81.3	24.0	72	82	14.38	16.82	16.7
Upper Midwest (Minneapolis)	68*	826.1	-2.3	134.4	-5.2	16	17	13.18	12.61	---
Iowa (Des Moines)	79*	280.5	10.7	84.2	1.4	30	33	13.48	13.64	---
Nebraska/W. Iowa (Omaha/Sioux City)	65*	118.4	-17.5	50.5	-4.8	43	37	13.68	14.17	---
Greater Kansas City/E. S. Dakota	64 <u>6/ 7/</u>	39.8	-16.3	---	---	---	---	14.51	16.19	16.7
MIDWEST REGION	<u>5/</u>	3,262.3	-4.9	1,034.8	-5.7	32	32	13.54	13.80	16.7

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 1997										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1997 TOTAL	CHANGE FROM 1996	1997 TOTAL	CHANGE FROM 1996	1997	1996	1997	1996	1997
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
Southwest Plains (Oklahoma City)	106	255.9	-3.8	121.9	-5.5	48	48	14.41	15.45	16.7
Texas (Dallas)	126	485.3	4.5	260.1	-6.1	54	60	14.70	16.37	16.7
SOUTHWEST REGION		741.2	1.5	382.0	-5.9	52	56	14.60	16.03	16.7
E. Colorado/W. Colorado (Denver)	137 <u>6/</u>	139.9	-1.9	65.5	-4.7	47	48	14.22	15.14	16.7
SW. Idaho/E. Oregon (Boise)	135	102.6	-54.5	14.5	-2.3	14	7	13.17	12.05	---
Great Basin (Salt Lake City)	139	182.0	-13.8	69.8	-6.1	38	35	13.75	14.04	---
Central Arizona (Phoenix)	131	201.3	9.3	82.2	-4.0	41	47	14.07	14.89	16.7
New Mexico-West Texas (Albuquerque)	138	163.2	-24.6	51.5	-9.6	32	26	13.73	13.43	16.7
Pacific Northwest (Seattle/Portland)	124	510.9	-2.4	171.3	-6.0	34	35	13.79	13.95	---
FAR WEST REGION		1,300.0	-13.6	454.9	-5.8	35	32	13.82	13.83	16.7
COMP MKT. AVERAGE OR TOTAL	<u>5/</u>	7,385.8*	-4.0*	2,925.3	-4.5	40	40	14.05	14.66	16.7
ALL-MKT. AVERAGE OR TOTAL	<u>7/ 8/</u>	8,541.7*	-3.4*	3,664.2	-4.5	43	43	14.14	14.90	16.7
YEAR-TO-DATE AVG./TOTAL <u>9/</u>										
Northeast Region		21,710.6	2.3	9,366.3	-0.3	43	44			
Southeastern Region	<u>5/</u>	2,653.1	5.4	2,241.6	0.9	84	88			
Midwest Region	<u>5/</u>	34,613.5*	3.4*	11,756.8	0.4	34	35			
Southwest Region		8,712.5*	-5.7*	4,369.8	0.2	50	47			
Far West Region		15,914.5*	-1.2*	5,195.2	-0.6	33	32			
COMP MARKET AVERAGE OF TOTAL	<u>5/</u>	83,604.2*	1.3*	32,929.8	0.0	39	40	12.88	14.60	----
ALL MARKET AVERAGE OR TOTAL	<u>7/ 8/ 10/</u>	96,306.9*	1.6*	41,047.6	-1.3	43	44	12.99	14.71	----

* Because of certain pricing situations in these markets, handlers elected not to pool an estimated 250 million pounds of milk in November 1997, that normally would have been pooled under these orders. The total estimated amounts not pooled for this reason through the month of November are: for 1997, 7.4 billion pounds; and for 1996, 7.8 billion pounds. If these volumes had been pooled, the following percent changes in producer deliveries would have resulted: for November, Midwest region +1.9, comparable market average -1.2, and all-market average -0.8. Year to Date, Midwest region +1.1, Southwest region -4.6, Far West region -1.3, comparable market average +0.5, and all-market average +1.1. 1/ Names in parentheses are principal cities and pricing points of markets. 2/ Prices are for 100 pounds of milk with a butterfat content of 3.5%. 3/ Amount by which the blend price is adjusted for each .1% that the butterfat content of a producer's milk varies from 3.5%. For example, if the butterfat content of the milk that a producer delivers to a regulated handler located in Boston (New England's market) is 4.0%, then the producer's blend price would be \$15.66. (4.0 minus 3.5 equals .5; 5 times \$.167 equals \$.835; \$14.82 plus \$.835 equals \$15.655.) 4/ Pool data are either a summation or weighted average of the Tampa Bay, Upper Florida, and Southeastern Florida marketing areas. The blend prices are for the Tampa Bay market. Blend prices for other markets are: Upper Florida: 1997, \$15.99; 1996, \$18.63; and Southeastern Florida: 1997, \$16.61; and 1996, \$19.34. 5/ Figures are based on the same group of comparable markets--markets where orders were in effect the entire period 1996-97 and for which the data were not affected significantly by marketing area changes. Data for Iowa and Greater Kansas City/Eastern South Dakota are no longer comparable; see 7/ and 10/. Due to the termination of the Tennessee Valley order on October 1, 1997, the data for Carolina, Southeast, and Louisville-Lexington-Evansville are no longer comparable and were excluded where applicable. Most of the milk that would have been pooled under the terminated order was pooled under these three orders. 6/ Figures represent a combination of data for the indicated markets except for the producer blend prices which are for the first market listed. Blend prices for other markets are: Eastern South Dakota: 1997, \$13.61; 1996, \$14.46; and Western Colorado: 1997, \$14.47; 1996, \$17.10. 7/ Class I receipt and utilization data for the Greater Kansas City/Eastern South Dakota area are restricted, and are excluded from all-market figures, effective October 1996. 8/ The data for January-September 1996 also includes the Black Hills marketing area. Effective October 1, 1996, the order regulating this marketing area was terminated. The data for 1996 and January-September 1997 also includes the Tennessee Valley marketing area; see 5/. 9/ Percentage changes have been adjusted for the different number of days in the two periods. 10/ Class I receipt and utilization data for the Iowa marketing area were restricted August-October 1997, and were excluded from all-market figures.

CCC PURCHASES OF DAIRY PRODUCTS

:FOR THE PERIOD OF DECEMBER 15 - 19, 1997				: CUMULATIVE TOTALS				: UNCOMMITTED INVENTORIES			
: TOTAL		: CONTRACT		: ADJUSTED		: SINCE		: SAME PERIOD		: PERIOD ENDING	
: PURCHASES		: ADJUSTMENTS		: PURCHASES		: 10/01/97		: LAST YEAR		: 12/12/97	